

CITY OF TUCSON, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANTS' REPORT.....	1
ANNUAL EXPENDITURE LIMITATION REPORT – PART I.....	2
ANNUAL EXPENDITURE LIMITATION REPORT – PART II.....	3
ANNUAL EXPENDITURE LIMITATION REPORT – RECONCILIATION.....	4
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT.....	5

INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and City Council
of the City of Tucson, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of the City of Tucson, Arizona for the year ended June 30, 2022, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
March 20, 2023

City of Tucson
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	<u>\$1,052,647,816</u>	
2. Voter-approved alternative expenditure limitation (Approved _____)	_____	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 1,052,647,816</u>
4. Amount subject to the limitation (total amount from Part II, Line C)	<u>\$ 874,330,965</u>	
5. Amount under (in excess of) the expenditure limitation		<u><u>\$ 178,316,851</u></u>

(If excess expenditures are reported, provide an explanation)

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Financial Officer: _____



Name and Title: Anna Rosenberry, Chief Financial Officer

Telephone Number: 520-837-4091

Date: 3/28/23

If any of the provisions of the Arizona Constitution, Article IX, §20(2)(a), (b), or (c), or A.R.S. §41-1279.07(I) apply to the City/Town, use the long form Part I on page VI-17 of the UERS Manual.

See accompanying notes to report.

City of Tucson
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2022

Description		Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A.	Amounts reported on the Reconciliation, Line D	1,078,237,068	\$ 374,104,210	\$ 97,731,718	\$ 378,445,048	\$ 1,928,518,044
B.	Less exclusions claimed:					
1.	Bond proceeds (Note 3)	42,769,869	2,151,573			44,921,442
2.	a. Debt service requirements on bonded indebtedness (Note 4)	98,931,229	56,568,309	-		155,499,538
	b. Debt service requirements on other long-term obligations (Note 4)	9,630,719				9,630,719
3.	Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	4,643,655	2,263,706	-		6,907,360
4.	Trustee or custodian (Note 12)	180,619			378,445,048	378,625,667
5.	Grants and aid from the federal government (Note 6)	228,474,013	12,102,886			240,576,899
6.	Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	309,648				309,648
7.	Amounts received from the State of Arizona (Note 8)	7,063,514				7,063,514
8.	Th Quasi-external interfund transactions (Note 9)	14,254,950	7,983,339	92,849,925		115,088,214
9.	Highway user revenues in excess of those received in fiscal year 1979-80 (Note 10)	40,305,751				40,305,751
10.	Voter approved amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 14)	41,882,843				41,882,843
11.	Contracts with other political subdivisions (Note 11)	9,205,498	4,169,985			13,375,482
	Total exclusions claimed	497,652,307	85,239,798	92,849,925	378,445,048	1,054,187,078
C.	Amounts subject to the expenditure limitation	580,584,761	\$ 288,864,412	\$ 4,881,793	\$ -	\$ 874,330,965

See accompanying notes to report.

Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2022

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$1,082,599,662	\$274,680,629	\$104,178,639	\$ 378,445,048	\$1,839,903,978
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation		51,472,918	9,852		51,482,770
Bad debt expense (Note 2)		4,267,250			4,267,250
Pension and other postemployment benefits (OPEB) Expense (Note 13)	4,362,594	8,746,938			13,109,533
Claims incurred but not reported (IBNR)		2,471,409	77,197,799		77,197,799
Landfill closure and postclosure care costs and pollution remediation					2,471,409
Total subtractions	4,362,594	66,958,515	77,207,651	-	148,528,761
C. Additions:					
1. Principal payments on long-term debt		42,369,031			42,369,031
2. Capital assets acquisitions		110,525,399			110,525,399
3. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR			70,760,730		70,760,730
b. Landfill closure and postclosure care costs		1,416,731			1,416,731
4. Pension and OPEB contributions paid in the current year (Note 13)		12,070,935			12,070,935
Total additions	-	166,382,096	70,760,730	-	237,142,826
D. Amounts reported on Part II, Line A	\$1,078,237,068	\$374,104,210	\$ 97,731,718	\$ 378,445,048	\$1,928,518,044

See accompanying notes to report.

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022

Note 1 Summary of Significant Accounting Policies:

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amount in the following notes refer to the Statements of Revenues, Expenditures, and Changes in fund balances for the governmental funds; Statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds, and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2 The subtraction for bad debt expense is for amounts recorded in various funds as an element of Contractual Services:

Fund	Enterprise Funds
Water Utility Fund	4,026,810
Other Enterprise Funds	240,441
Total	<u>\$ 4,267,250</u>

Note 3 Separate bond funds are established to record bond expenses for the Water Utility Fund. The schedule presented below shows the final expenses by bond fund. The exclusion for the Governmental Funds of \$42,769,869 for 2020 General Obligation Capital Projects Fund and Section 115 Trust Fund

Enterprise Fund: Water Funds	Bond Exclusion
Water Series 2019 (132)	\$ 2,151,573
Total	<u>\$ 2,151,573</u>

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022
(Continued)

Note 4 The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental, Enterprise Funds and Internal Service Funds consist of principal retirement and interest payments.

	Bonded indebtedness	
	Governmental Funds	Enterprise Funds
GO Bond Principal	\$ 29,035,000	\$ -
Street & Highway Principal	10,615,000	
Enterprise Bonds		42,369,031
Certificates of Participation	34,095,981	1,009,538
Total	<u>\$ 73,745,981</u>	<u>\$ 43,378,569</u>
GO Bond Interest	5,504,350	
Street & Highway Interest	530,750	
Enterprise Bonds Interest		12,772,755
Certificates of Participation Interest	19,144,948	-
Total	<u>25,180,048</u>	<u>12,772,755</u>
Payment to Refunded Bond		
Escrow Agent fee	-	
Fiscal Agent Fees & Debt Issuance Costs	5,200	416,985
Total	<u>\$ 98,931,229</u>	<u>\$ 56,568,309</u>
	Other long-term obligations	
	Governmental Funds	
Principal	\$ 3,468,190	
Interest	6,161,776	
Fiscal Agent Fees & Issuance Costs	753	
Total	<u>-</u>	<u>9,630,719</u>

Note 5 The exclusion claimed for dividends, interest, and gains on the sale of investment securities, recorded as Use of Money or Property in the governmental funds, and recorded as Investment Income in Enterprise funds is shown below:

	Governmental Funds	Enterprise Funds
Dividends, interest, and gains on the sale of investment securities	<u>\$ 4,643,655</u>	<u>2,263,706</u>

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022
(Continued)

Note 6 The City receives QECB, BAB, and CREB federal contributions to subsidize debt service payments in the General Fund, the Water Utility Fund, and General Services ISF; these will not be included in the federal not be included in the federal contributions exclusion since the exclusion was already taken in Note 4. The exclusions claimed for federal grants include: **\$228,474,013** for Governmental Funds and **\$12,102,886** for Enterprise Funds as outlined in the schedule below.

Governmental Funds

	Mass Transit Fund	Coronavirus Disaster Relief Fund	Non-Majpr Governmental Funds	Governmental Totals
Expenditures	\$ 100,204,671	21,155,221	\$ 141,851,878	\$ 263,211,770
Other Rev sources:	(16,308,656)	(736,756)	(69,424)	(17,114,836)
Net Exp excludable	83,896,015	20,418,465	141,782,454	246,096,934
Fed Grant Rev	67,187,247	20,418,465	140,872,981	228,478,693
Exclusions	\$ 67,187,247	\$ 20,418,465	\$ 140,868,301	\$ 228,474,013

Non-Major Governmental Funds

	Community Development Block Grants Fund	Miscellaneous Housing Grant Funds	Public Housing Section 8/ Home Program Funds	HOME Affordable Housing Funds
Expenditures	\$ 8,283,362	\$ 8,471,606	\$ 45,812,908	\$ 8,228,514
Other Rev sources:	(24,433)	-	(40,908)	-
The exclusion claimed f	8,258,929	8,471,606	45,772,000	8,228,514
Fed Grant Rev	7,576,525	8,471,606	45,752,992	8,190,923
Exclusions	\$ 7,576,525	\$ 8,471,606	\$ 45,752,992	\$ 8,190,923

	Other Federal Grant Funds	Federal Highway Grant Fund	Total Non-Major Governmental Fund
Expenditures	\$ 69,214,141	\$ 1,841,347	\$ 141,851,878
Other Rev sources:	(4,083)	-	(69,424)
Net Exp excludable	69,210,058	1,841,347	141,782,454
Fed Grant Rev	69,214,738	1,666,197	140,872,981
Exclusions	\$ 69,210,058	\$ 1,666,197	\$ 140,868,301

Enterprise Funds

	Public Housing Funds	Non-PHA Asset Management Fund	Enterprise Total
Expenditures	\$ 20,231,379	\$ 3,448,685	\$ 23,680,064
Non-grant Rev	(8,057,384)	(1,296,422)	(9,353,806)
Net Grant Expnd	12,173,995	2,152,263	14,326,258
Grant Revenues	11,864,625	238,261	12,102,886
Exclusions	\$ 11,864,625	\$ 238,261	\$ 12,102,886

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022
(Continued)

Note 7 The exclusion claimed for amounts received from private donors in the amount of **\$309,648** is recorded in the Civic Contribution Fund included in the Non-Major Governmental funds.

Note 8 The exclusion claimed for amounts received from state grants and contributions was recorded in the General Fund and in the Non-Federal Grant fund as follows:

	Governmental Funds
General Fund	\$ 3,244,137
Non-Federal Grant Fund	3,819,377
Total	<u>\$ 7,063,514</u>

Note 9 The exclusion claimed for quasi-external interfund transactions consist of water and garbage sales between the City's Water Utility and Environmental Services Funds to other City departments and amounts collected in the administrative service charge for services (such as payroll) provided by the General Fund to Enterprise Funds. In addition the charges for services collected by the Internal Service funds in the amount of **\$92,849,925**, which netted **\$98,195,590** to absorb **(\$5,345,665)** excess expenditures and not exempt from limitation.

	General Fund	Internal Serv Funds		Enterprise Funds
Service Charges Admin	\$ 14,254,950	\$ 92,849,925	City Water Utility Charges	\$ 6,306,474
			City Garbage Charges	1,676,866
Total	<u>\$ 14,254,950</u>	<u>\$ 92,849,925</u>	Total	<u>\$ 7,983,339</u>

Note 10 The following schedule presents revenues from which exclusions have been claimed for highway user revenues in governmental funds:

Highway user revenues received in FY 22 (excluding amounts for debt - Note	\$ 46,163,759
The exclusion claimed for qualified capital improvement expenditures of \$41,	(5,858,008)
Subtotal of amounts available for exclusion in FY 22	<u>40,305,751</u>
Amounts expended and excluded in FY 22	<u>40,305,751</u>
Amounts carried forward for use in future years	<u>\$ -</u>

Note 11 The exclusion claimed for contracts with other political subdivisions includes charges for services based on Mass Transit and IGA monies. For the Water Utility Enterprise Fund, **\$4,169,985** is claimed for sewer billings services to Pima County.

Mass Transit Fund	\$ 5,448,732
IGA Services-General Fund	1,375,971
Other Agencies	<u>2,380,795</u>
Total	<u>\$ 9,205,498</u>

Note 12 The exclusion claimed for **\$180,619** received by the City as a trustee or custodian, in the governmental funds, is made up of amounts received from individual entities and remitted to police officers for work performed while off-duty.

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2022
(Concluded)

Note 13 The **\$8,746,938** subtraction for pension and other post employment benefit (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise funds. The subtraction for pension expense in the governmental funds consists of nonemployer contributions to the Public Safety Personnel Retirement System (PSPRS) that were reported as a revenue and an offsetting expenditure in the City's governmental funds. Consequently, this expenditure of **\$4,362,594** has been subtracted on the reconciliation. The **\$12,070,935** addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions from the enterprise funds.

	<u>Enterprise Funds</u>
Pension/OPEB Expense	\$ 8,746,938
Pension/OPEB Contribution	\$ (12,070,935)

	<u>Governmental Funds</u>
PSPRS Expense	\$ 4,362,594

	<u>Enterprise Funds</u>
Statement of Cash Flows	
Change in net pension and OPEB asset	
Change in deferred inflows related to pensions and OPEB	\$ (10,012,355)
Change in deferred outflows related to pensions and OPEB	(37,772,565)
Change in net OPEB liability	(2,816,620)
Change in net pension liability	47,277,543
	<u>\$ (3,323,997)</u>

AELR-Reconciliation	
Pension/OPEB contributions – addition	\$ 12,070,935
Pension/OPEB expense(income) – subtraction	(8,746,938)
	<u>\$ 3,323,997</u>

Note 14 The exclusion claimed for qualified capital improvement expenditures of **\$41,882,843** consists of amounts collected from the voter-approved county transportation excise tax revenues spent on the regional transportation fund.